

Message Text

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ACTION EA-09

INFO OCT-01 NEA-10 ISO-00 L-03 FRB-03 OMB-01 ITC-01 SP-02
USIA-06 AGRE-00 AID-05 CIAE-00 COME-00 EB-07 INR-07
IO-13 LAB-04 NSAE-00 OIC-02 SIL-01 STR-04 TRSE-00
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FM AMEMBASSY COLOMBO
TO SECSTATE WASHDC 6380
INFO AMEMBASSY BANGKOK
AMEMBASSY JAKARTA
AMEMBASSY KUALA LUMPUR
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E.O. 11652: N/A
TAGS: UNCTAD, EPAP, CE
SUBJECT: UNCTAD MEETING ON RUBBER

REF: STATE 301160

1. PER REFTEL, EMBOFF DISCUSSED SRI LANKA'S VIEWS ON ANRPC RUBBER AGREEMENT WITH MINISTRY OF TRADE SECRETARY J.B. KELEGAMA WHO ATTENDED JAKARTA MEETING (HE WAS ALSO CHAIRMAN OF UNCTAD IV COMMODITIES COMMITTEE).

2. KELEGAMA SAID ANRPC NOT ONLY WILLING TO NEGOTIATE WITH CONSUMERS BUT EXPECTS CONSUMER PARTICIPATION IN AGREEMENT. HE HOPES OTHER PRODUCING COUNTRIES WILL ALSO JOIN. AS FAR AS HE IS CONCERNED, SPECIFICS DECIDED UPON AT JAKARTA (I.E., SIZE OF BUFFER STOCK, PRICE BANDS, ETC.) NOT IMPORTANT AS WHOLE AGREEMENT WILL HAVE TO BE MODIFIED WHEN CONSUMERS JOIN. MAIN PURPOSE OF JANUARY UNCTAD MEETING IN GENEVA (WHICH KELEGAMA WILL ATTEND) IS TO BEGIN DIALOG WITH
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CONSUMERS. IN KELEGAMA'S VIEW, PARTICIPATION IN FINANCING OF BUFFER STOCK WOULD BE OBLIGATION OF BOTH PRODUCING AND CONSUMING MEMBERS AGREEMENT, BUT HE ALSO SEES POSSIBILITY OF CONSUMERS HOLDING PART OF BUFFER STOCK. HE SAID ANRPC HAS NO INTENTION OF TRYING TO ESTABLISH AN OPEC-TYPE CARTELL FOR RUBBER; COMPETITION OF SYNTHETIC RUBBER MAKES IT IMPOSSIBLE FOR NATURAL

RUBBER PRODUCERS TO DICTATE PRICE. KELEGAMA SAID HE EXPECTS EVENTUAL PRODUCER/CONSUMER RUBBER AGREEMENT WILL BE MODELED ON INTERNATIONAL COCOA AGREEMENT. MAIN OBJECTIVE OF RUBBER AGREEMENT WOULD BE TO BRING ABOUT "REMUNERATIVE AND STABLE" PRICES FOR NATURAL RUBBER PRODUCERS AND "EQUITABLE" PRICES FOR CONSUMERS BY SMOOTHING OUR ERRATIC PRICE SWINGS. STABILIZED PRICES FOR NATURAL RUBBER WOULD FOLLOW BASIC TRENDS OF WORLD PRICES AND WOULD BE RELATED TO SYNTHETIC RUBBER PRICES. RELATED GOAL OF AGREEMENT WOULD BE EXPANSION OF WORLD RUBBER MARKET THROUGH COOPERATION IN RESEARCH AND MARKETING. PRINCIPAL BENEFIT TO CONSUMER WOULD BE PRICE STABILITY.

3. KELEGAMA SAID HE DID NOT THINK THERE WAS ANY DISAGREEMENT WITHIN ANRPC ON ROLES OF CONSUMERS AND UNCTAD, BUT SIGNING OF AGREEMENT IN JAKARTA DID NOT MEAN ALL DIFFERENCES AMONG SIGNATORIES HAD BEEN RESOLVED. JAKARTA AGREEMENT REPRESENTS COMPROMISE REACHED UNDER PRESSURE TO HAVE SOMETHING TO WORK WITH AT GENEVA. ONE POINT IN DISPUTE IS SIZE OF BUFFER STOCK. KELEGAMA AGREES WITH MALAYSIA THAT STOCK OF 350,000 TONS NEEDED TO HAVE IMPACT ON PRICE SWINGS. INDONESIA, HOWEVER, OPPOSED TO COST OF LARGE BUFFER STOCK, AND ANRPC SETTLED ON 100,000 TON STOCK TO BE USED IN CONJUNCTION WITH CONTROLS ON PRODUCTION AND EXPORT. KELEGAMA INDICATED HE WAS NOT VERY OPTIMISTIC ABOUT SUCCESS OF SUPPLY RATIONALIZATION SCHEME SHOULD THERE BE A SHARP DROP IN PRICES. WHILE SRI LANKA MIGHT BE REASONABLY SUCCESSFUL IN LIMITING EXPORTS, KELEGAMA THINKS OTHER PRODUCING COUNTRIES WOULD HAVE GREATER PROBLEM WITH LEAKAGE. (NOTE: SRI LANKA ALREADY HAS STRICT EXPORT LICENSING REQUIREMENTS, AND GSL OWNS 32 PERCENT OF RUBBER PRODUCING LANDS.) REFLECTING HIS INVOLVEMENT WITH UNCTAD, KELEGAMA ANTICIPATED UNCTAD WOULD PLAY KEY ROLE IN FORMULATION LIMITED OFFICIAL USE

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AND ADMINISTRATION OF PRODUCER/CONSUMER RUBBER AGREEMENT, AND HE EXPECTS COMMON FUND WILL PROVIDE SOME FINANCING.

4. WITH REGARD TO SUPPLY AND DEMAND PROJECTIONS, KELEGAMA SAID HE KNEW ANRPC TECHNICIANS HAD DONE SOME WORK IN THIS AREA, BUT HE DID NOT HAVE ANY DETAILS. HE DID NOT THINK ACCURATE FORECASTS COULD BE MADE WITHOUT CLOSE COOPERATION WITH CONSUMERS, AND HE AGREED EXPERTISE OF INTERNATIONAL RUBBER STUDY GROUP (IRSG) SHOULD BE UTILIZED.

5. WHILE KELEGAMA IS VERY MUCH IN FAVOR OF AN INTERNATIONAL RUBBER AGREEMENT, HE POINTED OUT THAT NO ACTION UNDER AGREEMENT WOULD BE NEEDED IF RUBBER PRICES STAY AT PRESENT HIGH LEVEL. INCREASING PRICE OF PETROLEUM PUSHING UP SYNTHETIC RUBBER PRICES, AND KELEGAMA WAS OPTIMISTIC THAT NATURAL RUBBER PRICES WOULD REMAIN HIGH FOR SOME TIME TO COME.
REED

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